



OLR RESEARCH REPORT

June 22, 2012

2012-R-0277

REVERSE ANNUITY MORTGAGES

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You asked for an update of the OLR Report [2004-R-0007](#) on reverse annuity mortgages and where to get one.

SUMMARY

A reverse annuity mortgage (RAM) is a loan aimed at senior citizens who have paid off their houses but cannot afford to stay there or need extra money for home repair, long-term care, medical treatment, or other purposes. It allows a homeowner to convert into cash some of the equity he or she has built up in the home. The loan proceeds are tax-free and there are no minimum income requirements for most private RAMs. The loans are usually paid to the borrower monthly, instead of in one lump sum, and repaid when the borrower sells the home, moves out, or dies.

The Connecticut Housing Finance Authority (CHFA) offers RAMs to homeowners of single family houses or condos who are at least 70 years old if (1) at least one borrower needs long-term health care or supportive services and (2) household income does not exceed \$81,000 per year. The federal Department of Housing and Urban Development (HUD) and several private lenders also offer RAMs to qualifying homeowners.

A number of private lenders also offer reverse mortgages in Connecticut.

A fact sheet on RAMs from the Federal Trade Commission (FTC) is available at:
<http://www.ftc.gov/bcp/edu/pubs/consumer/homes/real3.pdf>.

REVERSE ANNUITY MORTGAGES

A RAM is a type of reverse mortgage in which a lump sum is used to purchase an annuity that gives the borrower a monthly income for life. There are three main types of reverse mortgages: (1) the federally insured Home Equity Conversion Mortgage (HECM), administered by HUD; (2) single-purpose reverse mortgages, usually offered by state or local government agencies for a specific reason; and (3) proprietary reverse mortgages, offered by banks, mortgage companies, and other private lenders and backed by the companies that develop them.

A RAM can help senior citizens use their home equity to stay in their homes if their income is less than their monthly needs. These people are sometimes described as “house rich but cash poor.” To qualify, a homeowner must be at least 62 years old and have paid off all or most of his home mortgage. There are generally no income requirements (but see CHFA loans, below) and no medical tests or medical histories are required. HECMs impose certain additional requirements, such as free or low cost reverse mortgage counseling from a HUD approved reverse mortgage counselor and limits on the amount that can be paid.

A lender can charge a loan origination fee of up to \$2,500 if the home's appraised value is less than \$125,000. If the home is valued at more than \$125,000, lenders can charge 2% of the first \$200,000 of the home's value plus 1% of the amount over \$200,000. HECM origination fees are capped at \$6,000.

Most reverse mortgages can be paid out in a lump sum, in monthly advances, through a line of credit, or a combination of these methods. RAMs are paid in a lump sum, which is used to purchase an annuity that provides the borrower with monthly income. The loan advances are generally not taxable to the borrower and generally do not affect a borrower's eligibility for Social Security, Medicare, energy assistance, property tax relief, or the pharmaceutical assistance program (CONNPACE). The loan advances may, however, affect a borrower's eligibility for Medicaid, food stamps, Supplemental Security Income (SSI), or the state supplement to SSI. Borrowers enrolled in any of these programs should check with a program administrator to determine their rights.

CHFA RAM PROGRAM

The CHFA Reverse Annuity Mortgage Program makes loans to lower- and moderate-income senior homeowners who have long-term care needs. Eligible costs include those associated with hospitals, nursing homes, residential care homes, in-home care, adult day care, durable medical equipment, medically needed home alterations, long-term care insurance premiums, and uninsured recurring or catastrophic medical and prescription drug expenses.

Borrowers can choose to receive monthly tax-free payments for a five- or 10-year period, and the loan balance is repaid in one payment after the borrower dies, sells the property, or moves out. The amount of the monthly payment received varies based on the amount of equity in the home. CHFA will lend up to 70% of the home's value (up to \$417,000). Borrowers can also choose to take payment in one lump sum payment of up to \$5,000 at the time of closing to pay off outstanding tax liens and utility arrearages. The sum is then included in the value of the total loan and will reduce the monthly installment amount. If a borrower requires medical or supportive services, he or she may receive a lump sum payment of up to \$25,000.

To be eligible, borrowers must be at least 70 years old, have an annual household income of \$81,000 or less, and have long-term care needs. If the borrowers are a married couple, at least one spouse must have long-term care needs. Single-family homes and condominiums are eligible for a RAM under CHFA.

More information about CHFA's RAMs can be obtained by calling Single Family Underwriting at (860) 571-3502.

FEDERAL RAM PROGRAM

HUD's Federal Housing Administration (FHA) offers federally insured RAMs to homeowners who (1) are at least 62 years old, (2) own their homes outright or have a low mortgage balance that can be paid off at closing with the loan proceeds, and (3) live in the home for which they seek the RAM. To be eligible, qualified homeowners also must receive consumer information from HUD-approved counseling sources before receiving the loan. Interested homeowners can contact the Housing Counseling Clearinghouse at 1-800-569-4287 to find a HUD-approved counseling agency and a list of FHA-approved lenders in their area. More information on RAMs is also available on HUD's website at http://portal.hud.gov/hudportal/HUD?src=/program_offices/housing/sfh/hecm/rmtopten.

PRIVATE RAM LOANS

National Reverse Mortgage Lenders Association

The following lenders are members of the National Reverse Mortgage Lenders Association (<http://www.reversemortgage.org/index.html>) who are licensed to originate reverse mortgages in Connecticut:

Advisors Mortgage Group, LLC

<http://www.reverseyourmortgagenow.com/home.html>

866-964-8855 (toll-free)

Contact: Julian Giaquinto

BCI Financial Mortgage Corporation

<http://www.bcifinancial.com/>

866-224-2677 (toll-free)

Contact: Kenneth Penfield

Fairfield County Bank

<https://www.fairfieldcountybank.com/index.html>

800-776-6518 (toll-free)

Contact: Joyce Kuhn

Faze One Funding, LLC

<http://www.fazeonefunding.com/>

800-781-5968 (toll-free)

Contact: Faisal Jabbour

Generation Mortgage Company

<http://www.generationmortgage.com/>

888-688-6144 x216 (toll-free)

Contact: Ronald Pueschel

Guilford Savings Bank

<https://www.gsb-yourbank.com/>

800-730-6603 (toll-free)

Contact: Sylvia Patterson

Home Equity Conversion Corp. dba HomeChex

<http://www.home-chex.com/index.htm>

800-214-3836 (toll-free)

Contact: Dan Osterhout

Merrimack Mortgage Company, Inc.

<http://www.merrimackmortgage.com/>

855-284-1692 (toll-free)
Contact: Kathie George O'Neil

Putnam Bank

<http://cfc-reversemortgage.com/>

1-800-974-4846, ext. 229 (toll-free) or 781-344-4846, ext. 223

Contacts: Howard Miselman and Frank Costa

Savings Institute Bank & Trust

<https://www.savingsinstitute.com/>

800-423-0142 (toll-free)

Contact: Tom Egan

Other Links

More information about RAMs is also available from the American Association of Retired Persons (AARP) (<http://www.aarp.org/revmort/>) and the National Center for Home Equity Conversion (<http://www.reverse.org/>).

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